

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3229-01
Bill No.: SB 673
Subject: Employees- Employers, Employment Security, Unemployment Compensation,
Labor and Industrial Relations Department
Type: Original
Date: February 1, 2010

Bill Summary: Creates the office of job development and training and modifies the reporting requirements for obtaining unemployment benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume the loss of the 539 FTE in the Division of Workforce Development (DWD) would result in a negative impact of approximately \$1,200,000 for the Administrative Services Division at the Department of Economic Development. Currently, DWD pays a large portion (approximately 56%) of the DED cost allocation plan for support services provided by the Administrative Services Division based on the number of FTE in DWD. If these FTE were no longer a part of DED, a large gap would be created in the Administrative Services budget with minimal reduction in support services. No additional source of funding is available at DED so General Revenue would be needed to backfill the gap.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would transfer the duties and responsibilities of the Division of Work Force Development to the Division of Employment Security (DES). The result would not be a duplication of effort, a transfer only. DOLIR officials assume there would be cost incurred by the Office of Administration, Information Technology Services Division to implement the Type I transfer; however, DOLIR officials assume the cost would be minimal.

The DES is assuming the fiscal impact proposed by the Type I transfer would be the transfer of the 2011 budget for workforce development administration to DES. The fiscal impact to implement the proposed changes to the required reporting system would be minimal.

This proposed language in Section 288.040.1.(6) would not require the claimant to report in person to the employment office for reemployment assessment or reemployment services. The Division of Employment Security (DES) was recently awarded a United States Department of Labor grant (\$591,908.65) to operate a Reemployment and Eligibility Assessment (REA) program. The USDOL REA grant guidelines mandate that UI claimants who are selected for the REA program must be required to report in person to the Career Center for staff-assisted services. Due to the fact that the DES will not be able to force claimants selected for the REA program to report to a Career Center, the proposed language change may cause DES to forfeit the REA grant money.

Oversight notes that this proposal would transfer the Division of Workforce Development from the Department of Economic Development to the Department of Labor and Industrial Relations, Division of Employment Security. Oversight assumes that transferring these program components from DED to DOLIR would move all program costs and the related federal administrative subsidy from DED to DOLIR as well. Oversight assumes that there would be

ASSUMPTION (continued)

some reduction in administrative costs to DED due to the reduction in FTE; however, to the extent that DED has used federal program funding to support general administrative costs at DED there would be a net loss of funding to DED. Oversight assumes that any increased federal funding to the Department of Labor and Industrial relations would offset any such losses.

Officials at the **Administrative Hearing Commission, Department of Elementary and Secondary Education, Department of Revenue** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Transfer Out - DED to DOL</u>			
Program costs	\$2,125,544	\$0	\$0
<u>Transfer In - DOL from DED</u>			
Program costs	<u>(\$2,125,544)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FEDERAL FUNDS			
<u>Transfer Out - DED to DOL</u>			
FTE salary and fringe	\$21,452,565	\$0	\$0
Program costs	<u>\$112,153,585</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Transfer Out - DED</u>	<u>\$133,606,150</u>	<u>\$0</u>	<u>\$0</u>
FTE Change- DED	539 FTE	0 FTE	0 FTE
<u>Transfer In - DOL from DED</u>			
FTE salary and fringe	(\$21,452,565)	\$0	\$0
Program costs	<u>(\$112,153,585)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Transfer In - DOL</u>	<u>(\$133,606,150)</u>	<u>\$0</u>	<u>\$0</u>
FTE Change - DOL	(539 FTE)	\$0	\$0
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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Estimated Net FTE Change on Federal Funds	0 FTE	0 FTE	0 FTE
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OTHER FUNDS

<u>Transfer Out</u> - DED to DOL			
Program costs	\$26,315,000	\$0	\$0

<u>Transfer In</u> - DOL from DED			
Program costs	<u>(\$26,315,000)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON OTHER FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act creates the Office of Job Development and Training within the Division of Employment Security. All of the powers, duties, functions, records, personnel, property, matters pending and other pertinent vestiges relating to the administration of free public employment offices, employment assistance programs, and job development training and placement currently vested in the Division of Workforce Development within the Department of Economic Development are transferred to the office of job development and training.

Currently, in order to qualify for unemployment benefits, claimants shall report every 4 weeks. Under this act, claimants may report by phone or email and the 4 week reporting requirement is waived when the state unemployment rate is 6% or greater.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

JH:LR:OD

SOURCES OF INFORMATION

Administrative Hearing Commission
Department of Economic Development
Department of Elementary and Secondary Education
Department of Revenue
Office of the State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 1, 2010